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Do Innovation, Community Participation and Quality of Human Resources Influence the Performance of Village-Owned Enterprise

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Abstract

This research is a quantitative study that seeks to examine the relationship between innovation, participation and the quality of human resources on the performance of BUM Desa. The research uses primary data collected through questionnaires. The respondents in this research were Village BUM managers in East Java who are members of the East Java BUM Desa Forum. The questionnaire was distributed through the East Java BUM Desa Forum at the end of 2022. The number of respondents who filled out the questionnaire completely was 57 people consisting of the Director, Secretary, Treasurer and BUM Desa Staff. The method used in data processing is SEM PLS. Data is processed with SMART PLS4 application. To ensure the validity and reliability of the model, a model measurement test was carried out using discriminant validity and convergent validity tests. The structural model test was carried out to test the reliability of the model and predict the relationship between exogenous and endogenous variables. The results of the structural model test show that the model used is quite good and can be used to predict relationships between variables and test hypotheses. The results of the hypothesis test show that innovation, participation and quality of resources have a significant positive effect on the performance of BUM Desa.

Keywords: innovation; participation; quality of HR; performance; and BUM Desa.

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1. Introduction

The village is the smallest government entity that directly deals with the community. Law number 6 of 2014 concerning Villages is the basis for village autonomy. Villages are given the authority to manage their finances independently. The financial management authority given to villages includes planning, budgeting, implementation, administration to reporting and accountability activities (Supriadi, 2015). The granting of this authority is intended so that villages can provide services and carry out village development more effectively and efficiently (Barniat, 2018). To realize complete autonomy, villages are given the authority to manage village income and expenditure independently. Village income consists of original village income and transfers from higher levels of government. Original village income (PADes) is income extracted from the potential that exists in the village in the form of business results, wealth results, self-help and participation, mutual cooperation, and other income obtained from the village community. Meanwhile, transfer income comes from the central government and regional, provincial and district/city governments. The central government provides transfers to villages in the form of village funds (DD), while regional governments (districts/cities) provide transfers in the form of village fund allocations (ADD) and financial assistance.

One source of PADes is revenue sharing from Village-Owned Enterprises (VOE/BUM Desa). The central government has encouraged villages to establish BUM Desa. The establishment of BUM Desa, apart from generating PAD, is also predicted to be a catalyst for economic growth in the village (Nursetiawan, 2018), (Priharjanto & Andriana, 2021). BUM Desa is expected to become a business institution that raises the superior potential of villages. Government Regulation Number 11 of 2021 concerning Village-Owned Enterprises, defines Village-Owned Enterprises as a legal entity established by a village to manage or run a business, carry out utilization of village assets, increase investment and productivity, provide public services, and provide other types of business for the greatest welfare of the village

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community. The aim of establishing BUM Desa is to improve the economy in the village environment. BUM Desa is expected to be able to carry out economic activities in the village environment by utilizing village potential and assets.

Since the promulgation of the Law on Villages, many BUM Desa have begun to emerge. The growth of BUM Desa is very fast. In 2014 the number of BUM Desa in Indonesia was only around 1,022 units, but it is growing rapidly so that by the end of 2021 the number of BUM Desa has reached 57,273 units. The development of BUM Desa from 2014 to 2021 can be seen in Figure 1.

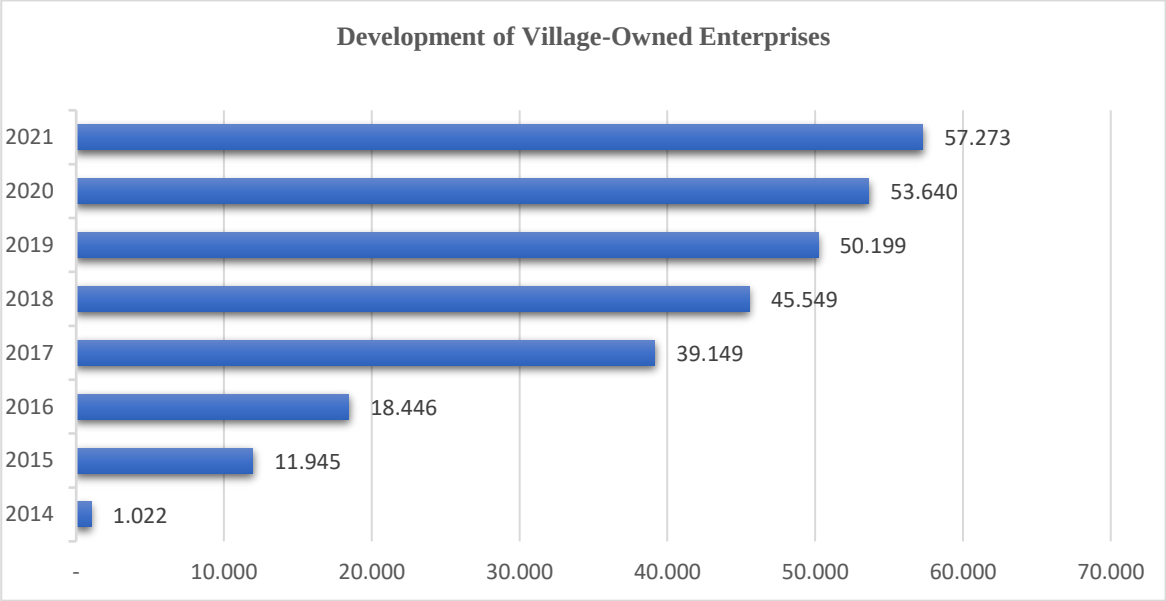

Figure 1. Development of Village-Owned Enterprises from 2014 – 2021
Source: processed from Ministry of Village data

The rapid growth of BUM Desa has enormous potential to encourage economic growth in villages. However, in reality the rapid development of BUM Desa has not been matched by the performance of BUM Desa. Most of the BUM Desa have not provided optimal performance and have not run effectively. The report on the audit results of the Financial Audit Agency (BPK) for the second semester of 2018, stated that based on a sample test of 8,220 BUM Desa in Indonesia, it was found that 2,188 (27%), BUM Desa had not yet operated and as many as 1,670 (20%) BUM Desa had operated but not yet contribute to the village. In other words, as many as 47% of the established BUM Desa have not contributed to village income. Furthermore, the Ministry of Villages, Development of Disadvantaged Regions and Transmigration (2022) stated that until 2021 only 29,465 out of 57,273 BUM Desa were operating.

BUM Desa, which is predicted to be able to drive the village economy, has not been able to show the expected performance. Many of BUM Desa have been established but have not contributed to the village, some are not operating. This condition is very different from the objectives of establishing BUM Desa. BUM Desa has not been able to carry out village economic activities and has not been able to become a catalyst for village economic growth.

The non-optimal performance of BUM Desa is a question that needs to be studied and answered continuously. There has been quite a lot of research related to the performance of BUM Desa. Rahmawati (2020), Fatmawati (2022), Priharjanto, et al. (2022) examines the importance of innovation in the management and performance of BUM Desa. Research on the influence of innovation on performance in general was carried out by Hamali (2014), Hendriyanto (2015), Nasir (2017), and Satwika and Dewi (2018). Ihsan and Setiono (2018), Elsi & Bafadhal (2019), Pratiwi, Sujana, & Haris (2019), Hanifah (2020), Priharjanto & Andriana (2021), Sari & Fuadi (2022) conducted research related to community participation in management Village BUM. Meanwhile research by Mangkunegara (2005), Hidayati (2015), BPK (2019), Zalukhu, Hendriani & Fitri (2020), Sudirno, et.al. (2020), and Darmaileny, Adriani, & Fitriaty (2022) researched the importance of HR quality in the management of BUM Desa. One of the problems faced by BUM Desa is incompetent BUM Desa managers. In line with previous research and the still not optimal performance of BUM Desa, it encourages researchers to conduct research to test the influence of innovation, participation and quality of human resources on the performance of BUM Desa in the East Java region.

2. Literature Review

2.1. Organizational Performance

Performance is something that is achieved or an achievement that is demonstrated. Mangkunegara (2005) states that performance refers to job performance, which means work achievements or work results. Thus, performance can be defined as a result of work, both quantity and quality, achieved by a person or institution in carrying out its duties and functions in accordance with its authority and responsibility. So performance can be seen from two sides, individual performance and organizational performance. Individual performance means a person's work performance in carrying out their duties and responsibilities. Organizational performance is the level of achievement of organizational tasks, in order to realize the vision, mission, goals and objectives of the organization (Bastian, 2001).

Organizational performance is the work output achieved by an organization. Organizational performance means the extent to which the organization can achieve its goals. Sobandi (2006) states that organizational performance is the achievements that have been made by the organization in a certain period, both related to input, output, outcome, benefits and impact. Performance can be defined as the result of a process carried out by all components of an organization regarding certain sources used (input) which are expected to provide impacts and benefits for the organization and its stakeholders.

Organizational performance is the totality of what is achieved by an organization (Surjadi 2009). Organizational performance is the result of the use of resources owned by the organization. Organizational performance is influenced by many factors. Elfahmi, Chandrarin, & Manan (2021) state that organizational performance (competitiveness) is influenced by internal capabilities, external environment and motivation. Internal capabilities include finance, management processes, organizational structure, inter-organizational relationships, infrastructure, management strategy and human resources. The management process includes the involvement of stakeholders in managing the organization. Meanwhile, one of the management strategies is continuous innovation to increase the added value of the products produced. Company strategy is used to improve organizational performance in sales growth and as a measurement of organizational performance based on sales turnover and total profits (Voss & Voss, 2000).

2.2. *Performance of BUM Desa*

BUM Desa performance is the work result that can be demonstrated by BUM Desa. The performance of BUM Desa can be interpreted as the extent to which BUM Desa can achieve its stated objectives. Tseng & Lee (2014) define organizational performance as the organization's ability to achieve predetermined goals by utilizing resources efficiently and effectively. The objectives of BUM Desa as stated in Government Regulation Number 11 of 2021 are: (1) carrying out economic businesses through business management, investment and economic development, as well as village potential, (2) carrying out public services through the provision of goods and services to meet community needs, and managing food barns, (3) generating profits to increase the village's original income, (4) creating added value for the village through utilizing village assets, and (5) developing the digital economy. Antony & Bhattacharyya (2010) state organizational performance as a measurement of how well an organization manages or provides value to customers and other stakeholders. Based on this, the performance measurement of BUM Desa in this research focuses on how BUM Desa can achieve its goals.

2.3. Innovation

Innovation is the activity of creating something new or improving something that already exists. De Jong & Hartog (2007) states that innovation is the activity of exploring and implementing new ideas and concepts to achieve increased personal or business performance. McGuirh, Lenihan and Hart (2015) state that innovation includes the creation of business models, management techniques, strategies and organizational structures outside of existing ones. Research related to the influence of innovation on performance was conducted, among others, by Darmaileny, Adriani & Fitriaty (2022) who stated that innovation influences the performance of BUM Desa. Priharjanto, et al. (2022) stated that innovation, apart from being an intervening variable for participation and technology, directly has a positive effect on the performance of BUM Desa. Satwika and Dewi (2018) stated that innovation has a positive effect on business performance. Nasir (2017) stated that product innovation influences marketing performance. Hendriyanto (2015) stated that innovation has a significant positive effect on the performance of MSMEs. Hamali (2014) states that product

innovation, process innovation, marketing innovation and organizational innovation have a positive effect on business performance.

Innovation in this research is measured using how often Village BUMs make novelties and adjustments in the management of Village BUMs including product innovation, marketing innovation, distribution innovation and management innovation.

2.4. Participation

Participation means involvement and participation from other parties. Participation is defined as mental and emotional involvement of a person in a group situation in order to encourage him to contribute to the group (Keith Davis, 1985). Participation is not only physical involvement but also a person's emotional involvement so that it will give rise to responsibility and contribution. Sastropoetro (1988) states that someone who participates in an activity actually experiences self-involvement which is more than just physical involvement in work or tasks, but more than that, self-involvement means the involvement of one's thoughts and feelings.

Based on Government Regulation Number 11 of 2021, the management of BUM Desa is carried out by upholding the values of kinship and mutual cooperation. There are five principles of BUM Desa management, namely: (1) professional, (2) open and responsible, (3) participatory, (4) prioritization of local resources, and (5) sustainable. Participation is the third principle in managing BUM Desa. This is in line with the principles of good governance. The management of BUM Desa should prioritize participation. The question is whether this principle of participation has an impact on the performance of Bum Desa. Research by Elsi & Bafadhal (2019) states that one of the determining factors for the success of developing BUM Desa is participation from the community. Pratiwi, Sujana, & Haris (2019) stated that community participation is needed in developing the BUM Desa work program. Similar research related to community participation was conducted by Hanifah (2020), who stated that community participation is needed in the management of Village BUM. Meanwhile, research by Ihsan & Setiono (2018) states that one of the influencing factors in managing BUM Desa is community participation and empowerment.

Participation in the management of BUM Desa is intended to provide opportunities for the community to participate in the management and enjoy the results of BUM Desa businesses. Community participation emphasizes that the management of BUM Desa prioritizes the involvement of local communities so that the BUM Desa program is appropriate and can meet the needs and desires of the community. Apart from that, the existence of BUM Desa is able to absorb workers in the village. Based on the description, it can be concluded that community participation in managing BUM Desa is very necessary for the successful management and development of BUM Desa. Sari and Fuadi (2022) stated that community participation influences the performance of BUM Desa.

Priharjanto and Andriana (2021) stated that community involvement in the management of BUM Desa so that the benefits of the existence of BUM Desa can be felt directly by the community. Hanifah (2020) states that community participation in managing BUM Desa can be in the form of: (1) providing ideas, (2) labor assistance, and (3) participation in social activities. One form of community participation is providing ideas and ideas. The more intense the community's involvement in managing BUM Desa, the more new ideas and ideas will emerge. and (3) participation in social activities. One form of community participation is providing ideas and concepts. The more intense the community's involvement in managing BUM Desa, the more new ideas and ideas will emerge. and (3) participation in social activities. One form of community participation is providing ideas and concepts. The more intense the community's involvement in managing BUM Desa, the more new ideas and ideas will emerge. In this research, community participation is measured by community involvement in managing activities starting from planning, implementation and accountability.

2.5. Quality of Human Resources

Human resources are employees who are ready, capable and alert to achieve organizational goals (Werther & Davis 1996). Competency is the ability to carry out a job or task that is based on skills and knowledge and supported by work culture in an organization. The quality of human resources is a person's knowledge, skills and abilities in carrying out tasks. The quality of human resources will always be inseparable from professional work. Thus it can be stated that the quality of human resources is closely related to professionalism which includes knowledge, skills and ethics in carrying out tasks. Good quality resources will create good achievements or work results (Sitohang, 2010).

Research related to the quality of human resources and performance of BUM Desa was conducted, among others, by Sudirno, et al. (2020) stated that the suboptimal performance of BUM Desa was caused by several factors, including low management capacity, lack of community empowerment and lack of infrastructure. BPK (2019) stated that there are still BUM Desa that are not yet supported by competent management. Zalukhu, Hendriani, and Fitri (2020) stated that the main problem faced by Village BUMs is Human Resources competency. Mangkunegara (2005) stated that Human Resources competency will determine the competitive advantage of BUM Desa. Hidayati (2015) stated that if BUM Desa managers are not professional, the performance of BUM Desa will be low. The quality of human resources in this research refers to the knowledge, skills and ethics possessed by BUM Desamanagers. The proxy used to measure the quality of resources refers to the knowledge, skills and ethics obtained through training.

Referring to the literature review and results of previous research on the performance of BUM Desa, the researcher tried to conduct research with modifications to the framework and research locus. The locus of this research is BUM Desa in East Java. This research tests whether the exogenous variables used in research on innovation, participation and quality of human resources have an effect on the performance of BUM Desa which is an endogenous variable. The framework built in this research is as shown in Figure 2.

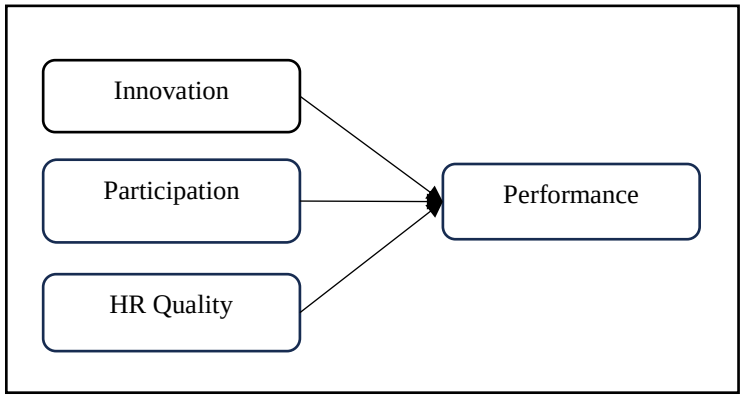

Figure 2. Research framework

Meanwhile, the hypothesis developed in this research is as follows:

H1: Innovation has a significant positive effect on the performance of BUM Desa.

H2: Participation has a significant positive effect on the performance of BUM Desa.

H3: HR quality has a significant positive effect on the performance of BUM Desa.

3. Research Methods and Materials

This research is a causal quantitative research to examine the influence of innovation, participation and human resource competency on the performance of BUM Desa. The research was conducted at BUM Desa in the East Java region which is part of the East Java BUM Desa Forum. The data in this research is primary data obtained through questionnaires. The questionnaire was distributed through the East Java BUM Desa Forum Group. The respondents in this research were BUM Desa managers. The number of respondents in this study was 57 respondents. Data collection was carried out between July – September 2022.

The questions in this research were designed by reducing variables into indicators and sub-indicators. The questionnaire is divided into two parts, namely: (1) the first part contains respondent demographics, which consists of respondent data such as gender, age and education level and (2) the second part contains questions related to endogenous and exogenous variables.

The questionnaire uses a 1-5 Likert scale. Validity and reliability tests are carried out to ensure that the indicators used can validly measure latent variables. Validity and reliability measurements are carried out by testing the measurement model (outer model). Meanwhile, to ensure that the model used can predict well the relationship between latent variables, a structural model test (inner model) is used.

The measurement model test is intended to ensure that the indicators used are valid and reliable. In other words, the measurement model test is used to ensure the relationship between the latent variable and the measuring indicator. If

the indicator is invalid then the indicator must be removed. Validity testing is carried out using convergent validity tests and discriminant validity tests. Validity testing is carried out according to the form of indicators, namely reflective indicators and formative indicators (Ghozali, 2016). The validity tests used in this research are the discriminant validity test and the convergent validity test. The discriminant validity test used the Fornell Larcker criterion/HTMT and cross loading. Meanwhile, for the reliability test, composite reliability and Cronbach's alpha were used.

The structural model test is intended to see the reliability of the model in predicting the relationship between latent variables. Inner models are structural models used to predict relationships between latent variables that cannot be measured directly in the estimated model. The structural/inner model tests used are: (1) R-Square, (2) Path Coefficient, (3) T-Statistics Test, (4) Predictive Relevance, and (5) Fit Model.

4. Results and Discussion

4.1. Respondent Description

The respondents in this research were BUM Village managers in the East Java Region consisting of Directors, Secretaries, Treasurers and BUM Village Employees. Detailed position composition and demographics of respondents can be seen in Tables 1 to Table 3.

Table1. Respondent's Position

Position	Amount
BUM Desa Director	35
BUM Desa Secretary	12
BUM DesaTreasurer	8
Staff/Other Employees	2
Total	**57**

Based on table 1, it can be seen that the majority of respondents were the BUM Village Director with 35 respondents, the BUM Village Secretary with 12 respondents, the BUM Village Treasurer with 8 people, and the remaining 2 staff.

Table2. Respondent's Gender

Gender	Amount
Male	42
Female	15
Total	**57**

Most of the respondents were men, 42 of the 57 respondents or 77%, while the respondents were 15 women or 23%.

Table 3. Respondent's Education

Education	Amount
High school	28
D3	3
D4/S1	23
S2	3
Total	**57**

As shown in table 3, the respondents' education varied greatly from high school to master's degree, but the majority of respondents had a high school education of 28 people and a D4/S1 degree of 23 people.

4.2. Validity and Reliability Test

Validity test uses convergent validity test and discriminant validity test. The relationship between indicators and variables is shown by factor loading values. A small loading value indicates that the indicator has a low correlation with

the variable it measures and does not work well in the measurement model. Standardized loading factor shows the magnitude of the correlation between indicators and the constructs formed (Haryono, 2017). This indicator can be considered valid in measuring the construct if the factor loading value is ≥ 0.7. Ghozali (2016), stated that if the factor loading value is greater than 0.7 then the correlation can be declared to meet good convergent validity. Apart from factor loading, the convergent validity test was also carried out using Average Variance Extracted (AVE). A convergent validity is said to be adequate if the AVE value is greater than 0.5. This shows that the latent variable is able to explain more than half of the variance of the indicators on average.

The results of the validity test show that all indicators used in this research have a good correlation with the latent variables they measure. The factor loading value of each indicator shows a value of more than 0.7. This means that these indicators are good measures of the latent variables they measure. Likewise, with the AVE values, all AVE values are above 0.5, which means that a latent variable can explain more than half of the variance of the indicators. Detailed factor loading values can be seen in table 4.

Table 4. Factor Loading Test Results

	Innovation	Performance	Participation	HR Quality
INO1	0.894			
INO2	0.879			
INO3	0.850			
INO4	0.817			
KIN1		0.745		
KIN2		0.765		
KIN3		0.744		
KIN4		0.803		
KIN5		0.831		
PAR1			0.831	
PAR2			0.781	
PAR3			0.728	
PAR4			0.755	
QUA1				0.896
QUA2				0.937
QUA3				0.944

Source: Processed from SMART PLS 4 output

Apart from conducting convergent validity tests, researchers also conducted discriminant validity tests using the Fornell-Larcker criterion and cross loading. Sekaran & Bougie (2016) stated that discriminant validity is said to be good if the root of the AVE in the construct is higher than the correlation value of the construct with other latent variables. The results of the Fornell-Larcker Criterion test can be seen in table 5.

Table 5. Fornell-Larcker Criterion

	HR Quality	Innovation	Participation	Performance
HR Quality	0.926			
Innovation	0.550	0.861		
Participation	0.370	0.541	0.775	
Performance	0.641	0.628	0.546	0.778

Source: Processed from SMART PLS 4 output

The results of the Fornell-Larcker criterion and cross loading tests show that the correlation value of the latent variable itself is greater than the correlation of this variable with other variables. Thus the construct has good discriminant validity.

Variable reliability testing using reflective indicators was carried out through composite reliability and Cronbach's alpha. Ghozali & Latan (2016) stated that the requirements for composite reliability and Cronbach's alpha values are more than 0.7, while values ≥ 0.8 are very satisfactory (Haryono, 2017). Cronbach's Alpha and Composite Reliability values are all greater than 0.7. Thus, all constructs have good reliability. The complete Cronbach's Alpha and Composite Reliability values can be seen in table 6.

Table 6. Cronbach's Alpha and Composite Reliability values

	Cronbach's alpha	Composite reliability
Performance	0.838	0.842
Innovation	0.883	0.886
Participation	0.784	0.804
HR Quality	0.917	0.921

Source: Processed from SMART PLS 4 output

The inner model test is intended to explain the relationship between latent variables (innovation, participation and HR quality on BUM Village performance). The structural model or inner model test is carried out using: (1) R-Square, (2) Model Fit, (3) T-Statistic and p-value, and (4) Path Coefficient. The R-Square and Adjusted R-Square values can be seen in table 7.

Table 7. R-Square and Adjusted R-Square values

	R-square	**R-square adjusted**
Performance	0.563	0.539

Source: Processed from SMART PLS 4 output

Based on the data in table 7, the adjusted R-Square value is 0.539 or 53.9%, which means that the exogenous variables innovation, participation and quality of human resources influence the endogenous variable performance by 53.9%. Meanwhile, at 46.1%, the performance variable is influenced by other variables that are not explained in the model. These results indicate that the projected model is good enough to predict the relationship between latent variables. These results indicate that the projected model is good enough to predict the relationship between latent variables.

To ensure that the model built is valid and able to predict the relationship between variables, the researcher also carried out a Fit Model test. The Fit Model test results can be seen in table 8.

Table 8. Model Fit Test

	Saturated models	**Estimated model**
SRMR	0.100	0.100
d_ULS	1,352	1,352
d_G	0.702	0.702
Chi-square	207,178	207,178
NFI	0.689	0.689

Source: SMART PLS 4 output

The NFI value in the Estimated model shown in table 7 is 0.689 or 68.9%, which means that the suitability of the model for predicting endogenous variables is 68.9%. Statistically this model is quite good.

4.3. Hypothesis testing

The next test is the T-Statistics test or significance test, this test is intended to see whether the exogenous variable has a significant effect on the endogenous with a certain level of confidence. A variable is considered to have a significant influence if the t-value > t-table or the p-value is smaller than the standard error. For research in the social field, a confidence level of 95% or a standard error of 5% (0.05) is usually used. In this study, a confidence level of 95% was used with a standard error of 5%, so that if the p-value <0.05 then the exogenous variable is considered to significantly influence the endogenous variable and vice versa. Complete T-statistical and p-value test results can be seen in table 8.

Table 8. Indigo T-Statistics and P-Value

	t-statistics	p-values	Description
Innovation -> Performance	2,003	0.045	Significant
Participation -> Performance	2,466	0.014	Significant
HR Quality-> Performance	3,669	0,000	Significant

Source: Processed from SMART PLS 4 Output

All t-statistic values in table 8 show values greater than 1.96 and all p-values are smaller than 0.05. This means that all exogenous variables significantly influence performance.

Figure 2 shows that the values of all p-values are less than 0.05 so they are all considered significant. The innovation, participation and training variables significantly influence the performance of BUM Desa.

All t-statistic values in table 8 show values greater than 1.96 and all p-values are smaller than 0.05, so it can be concluded that all exogenous variables significantly influence endogenous variables as predicted in the model. With the SMART PLS application, the significance value of the relationship between exogenous and endogenous variables can also be seen in the graphic output. The complete graphic output from SMART PLS can be seen in Figure 2.

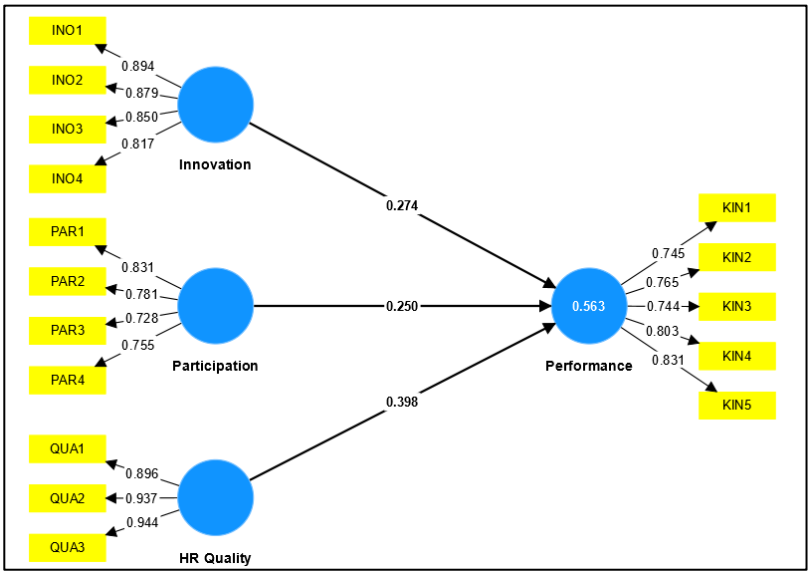

Figure 2.SMART PLS Bootstrapping Output

Source: SMART PLS 4 output

Based on the results of the significance test which can be seen from the t-statistics and p-values presented in table 8 and figure 2, it can be concluded that in general the hypothesis that is suspected can all be accepted. The first hypothesis (H1) which states that innovation has a significant positive effect on the performance of BUM Desa can be accepted and can be proven. The statistical test results show a t-statistic value of 2.003 and a p-value of 0.045. The t-statistic value for innovation of 2.003 is still greater than the value of 1.96 so it can be stated that innovation has a significant influence on the performance of BUM Desa. This statement is further strengthened by the P-value for innovation which is 0.045. This value is still smaller than 0, 05 so it can be stated that with a confidence level of 95% innovation has a

significant influence on the performance of BUM Desa. Innovation is one of the variables that influences the performance of Village BUMs so that if Village BUMs want to achieve better performance they must continuously innovate both in products, in marketing strategies and in product distribution to the community.

The second hypothesis (H2) which states that community participation has a significant positive effect on the performance of BUM Desa is also proven. The results of statistical tests on the participation variable show a t-statistic value of 2.466 and a p-value of 0.014. The t-statistic value for community participation of 2.466 is still greater than the value of 1.96 so it can be stated that community participation can be stated to have a significant influence on the performance of BUM Desa. This statement is further strengthened by the P-value for the participation variable which is 0.014. This value is still smaller than 0.05 so it can be stated that with a confidence level of 95% community participation has a significant influence on the performance of BUM Desa. Community participation is a variable that significantly influences the performance of BUM Desa. In order for Village BUMs to improve their performance, the management of Village BUMs should involve the community.

The third hypothesis (H3) which states that the quality of human resources has a significant positive effect on the performance of BUM Desa is also proven. The results of statistical tests on the human resource quality variable show a t-statistic value of 3.669 and a p-value of 0.000. The t-statistic value for the quality of human resources is 3.669, which is still greater than the value of 1.96, so it can be stated that the quality of human resources can be stated to have a significant influence on the performance of BUM Desa. This statement is further strengthened by the P-value for the human resource quality variable which is 0.000. This value is still smaller than 0.05 so it can be stated that with a confidence level of 95% the quality of human resources has a significant influence on the performance of BUM Desa. To see the direction of the influence of exogenous variables on endogenous variables, a path coefficient test is carried out, whether positive or negative. The results of the path coefficient test can be seen in table 9.

After we know the significance level of each variable, we need to know the direction of the influence of the exogenous variable on the endogenous variable. To find out whether the direction of influence is positive or negative, we can do a path coefficient test. The results of this test will show the direction of influence of exogenous variables on endogenous variables. The path coefficient value ranges from -1 to +1. The minus sign indicates the opposite direction while the + sign indicates the same direction. The closer the value is to 1 (-1/+1), the stronger the influence. Complete track test results can be seen in table 9.

Table 9. Path Coefficient Value

Relationship Between Variables	Coefficient Value
Innovation -> Performance	0.274
Participation -> Performance	0.250
HR Quality -> Performance	0.398

Source: Processed from SMART PLS 4 Output

The path coefficient value shown in table 9 is positive so it can be concluded that all exogenous variables have a unidirectional relationship with the performance of BUM Desa, so the relationship is a unidirectional relationship. This means that innovation, community participation and the quality of human resources have a positive effect on the performance of BUM Desa.

5. Conclusion

This research examines the influence of innovation, participation and quality of human resources on the performance of BUM Desa. The results of the hypothesis test show that innovation has a significant positive influence on the performance of BUM Desa. This means that the innovation carried out by BUM Desa will improve the performance of BUM Desa. Village BUMs are expected to be able to innovate so that Village BUMs' performance becomes better.

Innovation has a significant and positive influence on the performance of village BUM. This means that the higher/better the innovation carried out by BUM Desa will have an impact on increasing the performance of BUM Desa. For BUM Village managers, if they want to improve their performance, they can continuously innovate. Innovation is not only in product development but also needs to be carried out in marketing systems and management systems.

Community participation also has a positive and significant influence on the performance of BUM Desa. In managing BUM Desa, it is hoped that the community will be involved. The greater the participation of the community, the better the performance of BUM Desa will be. Community participation can be carried out in all lines of BUM Desa management activities.

The quality of human resources also has a significant positive effect on the performance of BUM Desa. The better the quality of the human resources managing BUM Desa, the better the performance of BUM Desa will be. BUM Desa managers must always improve the quality of human resources. One way to improve the quality of human resources is by conducting training that meets the needs of BUM Desa.

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